

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL MEMORANDUM**

HB 413 – SB 1345

April 11, 2013

SUMMARY OF ORIGINAL BILL: Decreases, from 50 to 20, the minimum number of rooms a hotel must have in order to obtain a liquor-by-the-drink license.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$1,200/One-Time/ABC Fund
\$4,000/Recurring/ABC Fund

SUMMARY OF AMENDMENT (005105): Deletes and rewrites the bill such that the only substantive changes is the addition of language authorizing a commercially-operated facility in Clay County to be licensed as a premier type tourist resort for the purpose of selling liquor-by-the-drink; and authorizing two facilities in Davidson County to be licensed as historic performing arts centers for the purposes of obtaining licensing to sell alcoholic beverages for on-premises consumption.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On April 4, 2013, a fiscal memorandum was issued stating a fiscal impact of:

*Increase State Revenue – \$2,100/One-Time/ABC Fund
\$6,300/Recurring/ABC Fund*

Increase Local Revenue - \$600/Recurring

Upon determination that the entities licensed as historic performing arts centers by the amended bill are currently licensed as limited service restaurants, as opposed to entities seeking new on-premises consumption licensing, the fiscal impact is estimated to be:

(CORRECTED)

Increase State Revenue – Net Impact - \$400/FY13-14/ABC Fund

**Decrease State Revenue – Net Impact –
\$1,700/FY14-15 and Subsequent Years/ABC Fund**

Assumptions for the bill as amended:

- Hotels would be subject to an initial application fee of \$300 and a \$1,000 recurring annual renewal fee to the Alcoholic Beverage Commission (ABC) Fund for each entity.
- ABC estimates that there will be four new hotel applicants following enactment of this bill as amended.
- The one-time increase in state revenue to the ABC Fund relating to the hotels is \$1,200 (4 x \$300). The recurring increase in state revenue to the ABC Fund relating to the hotels is \$4,000 (4 x \$1,000).
- The Clay County entity is the only new facility that will qualify as a premier type tourist resort for purposes of licensing for the sale of liquor-by-the-drink.
- The initial application fee for the premier type tourist resort in Clay County will be \$300 and the annual renewal fee will be \$2,000 to the ABC Fund.
- Only two locations in Davidson County will qualify as historic performing arts centers for purposes of the sale of alcoholic beverages for on-premises consumption.
- There is an initial application fee of \$300 for historic performing arts centers and a \$150 annual renewal fee for such centers that will be paid to the ABC Fund.
- The facilities that will be licensed as historic performing arts centers are currently licensed as limited service restaurants with food sales representing between 15 and 20 percent of gross sales. As a result, they are subject to an annual privilege tax of \$4,000. The total recurring revenue from these entities is \$8,000 (2 x \$4,000) under current law. This state revenue will not be collected under the bill as amended.
- The net decrease in state revenue to the ABC Fund attributable to reclassifying these entities as historic performing arts centers is estimated to be \$7,100 $\{(\$4,000 \times 2) - [(\$300 \times 2) + (\$150 \times 2)]\}$ in FY13-14.
- The net recurring decrease in state revenue to the ABC Fund attributable to reclassifying these entities as historic performing arts centers is estimated to be \$7,700 $[(\$4,000 \times 2) - (\$150 \times 2)]$ beginning in FY14-15.
- The net increase in state revenue to the ABC Fund in FY13-14 for the bill as amended is estimated to be \$400 $[(\$1,200 + \$4,000 + \$300 + \$2,000) - \$7,100]$.
- The net recurring decrease in state revenue to the ABC Fund in FY14-15 and subsequent years for the bill as amended is estimated to be \$1,700 $[\$7,700 - (\$4,000 + \$2,000)]$.
- No additional personnel or resources will be required by the ABC.
- The entities will be assessed state and local taxes on alcoholic beverage sales, a 15 percent liquor-by-the-drink tax on all alcoholic beverages sold, and any applicable county or privilege tax. These taxes will not have a significant state or local fiscal impact.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/cce